

Message Text

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EA ONLY

E.O. 11652: GDS

TAGS: ETRD EFIN CH US

SUBJECT: CLAIMS AND PRC ASSETS

REF: (A) PEKING 1400, (B) PEKING 1401

1. AMBASSADOR CHRISTOPHER PHILLIPS OF THE NATIONAL COUNCIL ON US-CHINA TRADE HAS DISCUSSED THE QUESTION OF US CLAIMS AGAINST THE PRC AND FROZEN ASSETS DURING CALLS ON LI CHUAN OF CCPIT AND TSUI PING OF THE BANK OF CHINA DURING HIS VISIT TO PEKING. BOTH HE AND JOHN KAMM OF THE NCUSCT'S HONG KONG OFFICE WHO WAS PRESENT HAVE GIVEN US ACCOUNTS OF THESE TALKS. THAT WITH THE BANK OF CHINA IS OF PARTICULAR INTEREST.

2. PHILLIPS RAISED THE CLAIMS-ASSETS PROBLEM DURING A CALL ON CCPIT VICE CHAIRMAN LI CHUAN JULY 21. LI CHUAN AGREED WITH PHILLIPS THAT THE MAJOR OBSTACLE TO THE SETTLEMENT OF THE CLAIMS-ASSETS QUESTION REMAINS NORMALIZATION. AFTER THAT IS SOLVED, HE SAID THE SMALLER PROBLEMS, SUCH AS CLAIMS AND ASSETS, CAN BE SOLVED RAPIDLY. LI SAID THAT HE HAD NOT UNDERSTOOD UNTIL HIS VISIT TO THE US IN THE FALL OF 1975 THE IMPORTANCE OF THE PROBLEM FOR NONFINANCIAL MATTERS.
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HE HAD NOT REALIZED, FOR EXAMPLE, THE EFFECT OF THE

PROBLEM ON EXHIBITIONS OF CHINESE PRODUCTS IN THE US. PHILLIPS SAID HE UNDERSTOOD THE MATTER HAD BEEN RAISED SEVERAL YEARS AGO IN THE SINO-US TALKS IN PARIS, BUT THAT NO CONCLUSION HAD BEEN REACHED.

3. TSUI PING'S LINE WAS VERY DIFFERENT. PHILLIPS AGAIN RAISED THE CLAIMS-ASSETS PROBLEM, SAYING THAT HE HAD BEEN TOLD THAT THE PRC PREFERRED TO WAIT UNTIL NORMALIZATION FOR SETTLEMENT OF THE PROBLEM. TSUI REPLIED THAT IN HIS OPINION, SOLUTION OF THE CLAIMS-ASSETS PROBLEM DID NOT HAVE TO AWAIT NORMALIZATION, SINCE THE US ACTION WAS "ILLEGITIMATE." AFTER ALL, THE US AND CHINA HAD SUBSTANTIAL TRADE WITHOUT DIPLOMATIC RELATIONS, AND HE DID NOT SEE WHY THERE COULD NOT BE CIRCULATION OF CURRENCIES AND CREDITS AS WELL. TSUI ADDED THAT ONCE THIS PROBLEM WAS SOLVED, THE BANK OF CHINA ENVISAGED NORMAL BANKING TIES WITH US BANKS.

4. COMMENT: A POSSIBLE EXPLANATION FOR THIS APPARENT CHANGE IN LINE IS THAT TSUI PING REALLY WAS EXPRESSING A BANKER'S PERSONAL OPINION THAT IF THE US AND PRC HAVE TRADE RELATIONS THEY MIGHT AS WELL HAVE BANKING RELATIONS. A REAL PERSONAL OPINION BY AN OFFICIAL OF TSUI PING'S LEVEL, PARTICULARLY ONE EXPRESSED IN FRONT OF AN OFFICIAL OF ANOTHER PRC AGENCY (IN THIS CASE THE CCPIT) IS SO UNLIKELY IN THE PRC THAT WE FEEL IT CAN BE DISCOUNTED.

5. THE DIVERGENCE IN THE TWO LINES TAKEN BY LI CHUAN AND TSUI PING IS SO STRIKING, IN ANY CASE, THAT WE FEEL THAT TSUI'S LINE MERITS FURTHER INQUIRY. PHILLIPS INTENDS, IF HIS HEALTH PERMITS, TO RAISE THE SUBJECT AGAIN JULY 30 WITH LI CHUAN IN HIS FAREWELL CALL.
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